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What You Need to Know About XBRL

BY HANK BOERNER

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INVESTOR RELATIONS *update*

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update

FEBRUARY 2007

What you need to know about XBRL — *eXtensible Business Reporting Language* **BY HANK BOERNER**

It's coming your way — more U.S. and foreign companies are adopting interactive data reporting and more analysts and investors are looking to interactive data to analyze your business and financial information and enhance their analysis of your company's condition and market value.

The interactive data standard in the news is XBRL — *eXtensible Business Reporting Language* — a powerful, global technology standard for how data is created, distributed and analyzed. XBRL was recently adopted for EDGAR filings on a voluntary basis by a number of well-known issuers including 3M Company, Dow, General Electric, Lockheed Martin,

Microsoft, PepsiCo and United Technologies. As use of XBRL becomes more widespread, demand for adoption is increasing with investors, analysts and other data users looking for more issuers to adopt the standard.

Regulators are also encouraging wider use as interactive data will vastly improve their ability to analyze large volumes of data. In September 2006, the Securities & Exchange Commission announced a \$54 million investment to transform the commission's public company disclosure system from one that is form-based to a dynamic, real-time search tool with interactive capabilities and to help build out the U.S. GAAP



The Big Event for 2007 —
**INTERACTIVE
DATA** is Here

SEC Commits \$54 Million to XBRL,
XBRL US, Inc. Establishes
Professional Staff

THE BIG EVENT FOR 2007 — INTERACTIVE DATA IS HERE

continued from cover

line item terms (also called “taxonomies”). The commission is moving away from the familiar (and two decades-old) EDGAR system to an interactive type system using XBRL. At the same time, XBRL US, Inc. formerly a special committee of the AICPA and primarily volunteer driven, spun off from the parent organization and is now established as a separate non-profit, legal entity.

XBRL US recently announced the hiring of a dedicated professional staff with a president and CEO, as well as three other senior managers handling Internet strategies and member services, domain and taxonomies, as well as adoption and communication. With the new team in place, XBRL US is prepared to jumpstart adoption and taxonomy development progress in 2007. Their first significant task will be managing the U.S. GAAP taxonomy build out as announced by the SEC last fall.

In just a few short years XBRL has become a global platform for expanded business and financial reporting, and has been adopted by organizations throughout the world — such as regulators, software companies, database aggregators, public and private companies and others. Consider the overall advantages for users of issuer data:

- XBRL provides users universal “identity tags” that puts company data in a computer-readable context that can be easily extracted and used in financial models. XBRL enables the seamless interface with databases, business reporting systems and spreadsheets.
- XBRL enables dramatic process enhancements for both internal and external reporting. Data can be reused and repurposed — it is created once and used many times, reducing costs and eliminating the reentry of information.
- XBRL enhances comparability because it lays out a common set of definitions by which all organizations will tag their data. Third party providers of data “normalize” income statement and balance sheet data which could result in condensing or introducing errors into the company’s as-reported data. When company primary financial statements are com-

pared to normalized data from commercial providers, analysis conducted by PricewaterhouseCoopers found that there was an error and omission rate of approximately 30 percent. When the entire company report, including MD&A and notes is considered, that error rate increases dramatically.

- XBRL can be used to enhance the IRO’s compliance processes and communication with shareholders and stakeholders.

XBRL data from public companies provides analysts with:

- Improved facilitation of comparability and granularity of financial disclosure;
- Improvement in timely and transparent analysis;
- Simplification of some aspects of the complex financial reporting analysis (for example, the use of derivatives);
- Better quality information.

The use of XBRL could enhance the telling of your company’s story to key market players. Adoption of XBRL could also help your company lower internal financial reporting costs because data created within your financial reporting systems can be created once and then used many times by both internal and external audiences.

THE YEAR 2007 IS AN IDEAL TIME FOR PUBLIC COMPANIES TO ADOPT XBRL.

While today the use of XBRL for EDGAR filing is voluntary, this could change if the SEC decides that investors are better served through more widespread use of interactive data. Gartner Group researchers have projected SEC mandating XBRL use by the end of 4Q 2008.

Many other gatekeepers have announced adoption of XBRL, including the Australian Tax Office, Chinese Securities Regulation Commission, Bank of Japan, National Tax Agency of Japan, Tokyo Stock Exchange, U.K. Companies House, and (important for financial services organizations) the U.S. Federal Financial Institutions Examination Council (including the FDIC). The adoption of IFRS early this year in the U.K. and European Union countries has been a factor in the wider adoption of XBRL by issuers, users and regulators.

The year 2007 is an ideal time for public companies to adopt XBRL. Because the SEC program is still voluntary, there is little liability attached to the filing itself, giving financial preparers and investor relations officers opportunity to become more familiar with the new standard before there is more widespread use. And with the support from the regulators and ultimately the analyst community, use of XBRL appears now to be poised for rapid growth and adoption, especially among United States issuers.

For more information:

XBRL US: <http://www.xbrl.org/us>

Check the SEC Web site at:

<http://www.sec.gov/spotlight/xbrl.htm> for the XBRL viewer 